

Message Text

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70

ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00 CIEP-02

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-05

SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02 PRS-01 USIA-15

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R 301645Z APR 75

FM AMCONSUL CALGARY

TO SECSTATE WASHDC 1333

INFO AMEMBASSY OTTAWA

UNCLAS CALGARY 225

E.O. 11652: N/A

TAGS: ENRG, CA

SUBJ: COST INCREASE FOR ALBERTA NATURAL GAS

1. THE PRICE OF ALBERTA NATURAL GAS APPARENTLY WILL RISE BY MORE THAN 50 PERCENT AS A RESULT OF AN ARBITRATION DECISION RELEASED TUESDAY, APRIL 29. THE ARBITRATION AWARD AROSE FROM A DISPUTE BETWEEN GULF OIL CANADA LTD. AND TRANS CANADA PIPELINES LTD. AND PLACES THE NATURAL GAS PRICE AT \$ 1.15 PER THOUSAND CUBIC FEET, AS COMPARED WITH A CURRENT AVERAGE MARKET PRICE OF 70 CENTS TO 75 CENTS PER THOUSAND CUBIC FEET.

2. THE NEW PRICE BECOMES EFFECTIVE NOVEMBER 1. IT COULD LEAD TO ANOTHER HEAD-ON CONFRONTATION BETWEEN ALBERTA AND THE CANADIAN FEDERAL GOVERNMENT, INASMUCH AS IT COULD SERVE AS A MINIMUM PRICE FOR OTHER NATURAL GAS PRODUCERS WHO HAVE DELAYED SALES OF THEIR OWN GAS UNTIL THE GULF DECISION WAS MADE PUBLIC. THE AWARD WAS THE FIRST UNDER RECENT ALBERTA LEGISLATION WHICH REQUIRES PRODUCERS AND TRANSPORTERS TO SETTLE PRICE DISPUTES BY ARBITRATION.

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HOWEVER, THIS APPEARS DESTINED FOR CONFLICT WITH FEDERAL

GOVERNMENT LEGISLATION WHICH REPORTEDLY IS ABOUT TO BE PASSED AND WHICH WOULD ENABLE OTTAWA TO CONTROL FUEL PRICES.

3. TRANS CANADA NOW WILL APPLY TO THE NATIONAL ENERGY BOARD FOR PERMISSION TO INCREASE ITS RATES TO MEET THE NEW COST OF THE ALBERTA NATURAL GAS.
HALL

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